

CITY OF SAN DIEGO
OFFICE OF THE INDEPENDENT BUDGET ANALYST

MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR JANUARY 2012

Highlights of Major Reports Issued in the Month of January:

Report No. 12-01REV “Managed Competition Process Improvements”

Since the adoption of the Managed Competition guide by Ordinance on October 12, 2010, the City Council has been responsible for ensuring that service quality is maintained through all managed competition processes in accordance with the City Charter. City Council, the IBA, and other reviewers of these processes use Preliminary Statements of Work (PSOW) to identify key existing performance standards that are to be included in Requests for Proposals (RFPs).

Following the most recent PSOW reviews, the IBA expressed concern regarding the lack of information available for the Council and the IBA to effectively evaluate proposed service levels. The IBA has requested historical budget and position information to try to put into context the reasonableness of the current service levels and to evaluate deterioration of some service levels.

In this report, the IBA recommends process improvements to be considered by Rules Committee members in order to help with future evaluation of PSOW's. The improvements suggested call for requests from staff to provide a three-year history for all performance measures specified in the PSOW's as well as a three-year budget history for the managed competition function under consideration. The IBA also advised that corresponding service levels be provided for each service area in the PSOW and that any current service levels that are performing below budgeted expectation should be accompanied with an evaluation of what anomalies could be causing this decline in service. Additionally, the IBA advised that all functions involved in managed competition include in the proposed and final budget documents all performance measures that were specified in the PSOW/RFP and data for the prior year, current year and next year's targets.

Report No. 12-02REV “Sensitivity Analysis of Estimated Incremental TOT Revenue from Expansion of the San Diego Convention Center”

On December 6, 2011 City Council adopted a resolution of intention to form a Convention Center Facilities District (CCFD) and a resolution declaring the need to incur bonded indebtedness in an amount not to exceed \$575 million. These resolutions are both related to the proposed San Diego Convention Center Phase III Expansion Project. One of the potential funding sources identified for the Expansion Project was an annual contribution of “incremental” City Transient Occupancy Tax (TOT) revenue not-to-exceed \$3.5 million. In this report, the IBA conducted a sensitivity analysis of these incremental TOT revenues and the increased level of economic activity that would be needed to generate the City's anticipated annual \$3.5 million contribution.

The City TOT revenue is generated based on a tax rate of 10.5% on the total rent charged for occupancy at lodging facilities within the City of San Diego. Using this tax rate, and parameters from previous studies by AECOM and the San Diego Con-

Reports Highlighted for the Month of January 2012:

Report No. 12-01REV (2/13/12)
**“Managed Competition
Process Improvements”**

Report No. 12-02REV (1/20/12)
**“Sensitivity Analysis of
Estimated Incremental TOT
Revenue from Expansion of
the San Diego Convention
Center”**

Report No. 12-04 (1/23/12)
Attachment 1 (1/23/12)
Attachment 2 (1/23/12)
**“CIP Streamlining and
Contracting Improvements”**



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vention Center Corporation (SDCCC), the IBA estimated that total incremental City TOT revenue generated by the expansion may be anywhere from \$5.2 million to \$9.7 million, dependent upon the conservativeness of the assumptions used in the calculations. While all of the IBA's estimates are still well over the contemplated not-to-exceed \$3.5 million City TOT contribution, this demonstrates some significant variances from the results of the AECOM study which estimated \$12.7 million in additional TOT revenue. In light of these estimate variations, the IBA suggested that Council may wish to receive further information and clarification regarding the incremental TOT revenues estimated to result from the proposed Convention Center expansion.

Report No. 12-04 "CIP Streamlining and Contracting Improvements"

On November 2, 2011 Public Works staff presented suggested Capital Improvement Program (CIP) Streamlining and Contracting Improvements to the Budget & Finance Committee (B&FC). The measures cited for improvement would significantly change how CIP projects are approved. It would allow for fewer opportunities for the Council to review CIP projects before awarding contracts, but if approved, they could save up to a minimum of three months between time of bid and the award of the contract. In addition, staff states that these changes would result in increased capacity for the Public Works department which could be used for additional deferred capital projects and CIP transparency efforts.

The City of San Diego's CIP Program includes 900 projects and \$7.2 billion in prior (\$3.5 billion), current (\$208 million), and future year funding (\$3.5 billion). Timely project delivery is essential to ensuring that the City's assets are repaired and replaced and that funding is allocated to meet these goals. Public Works staff is proposing multiple policy changes to streamline the City's CIP and Contracting processes. The core component to the Mayor's streamlining proposal is the increase of Council approval thresholds for the award of various types of contracts and agreements.

Our office has reviewed the proposed changes and has included a number of recommendations for B&FC consideration. On January 25, 2012, the Committee voted 5-0 to move the Public Works Department's proposal to City Council, contingent upon including the our recommendations. We have summarized these recommendations in Attachment 2 to our report.

Other Reports Issued in January 2012:

Report No. 12-03 (1/20/12)

"Update to Benchmarks of the Library and Park & Recreation Departments"

Report No. 12-05 (1/26/12)

Attachment 1 (1/26/12)

"Follow-Up on Suggestions Made at the City's Regulatory Relief Workshop"

Report No. 12-06 (1/30/12)

Attachment 1 (1/30/12)

Attachment 2 (1/30/12)

Attachment 3 (1/30/12)

"Amending Council Policy 700-10 to Implement City Auditor Recommendation Regarding Audit Authority for City Leases"

Report No. 12-07 (1/31/12)

Executive Summary (1/31/12)

"Preliminary Review of the Proposal to Increase Special Event Use of Petco Park"



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